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6 September 2007

Lynas Acquires New Rare Earths Resource in Malawi

***Key Points**:*

- ***Lynas Corporation has acquired a fully permitted Rare Earths deposit located in Malawi, Africa***
- ***The deposit has an Inferred Resource of 107,000 tonnes of Rare Earths Oxide (REO) at an average grade of 4.24% REO, using a 3.5% REO cut-off grade, and remains open at depth***
- ***Importantly, the deposit has extremely low thorium and uranium levels for a Rare Earths deposit***
- ***Completed test work shows the deposit is amenable to a low cost gravity separation concentration process producing a 60% REO concentrate***
- ***Upon completion of the Purchase Agreement condition precedents Lynas shall pay US$4M for the assets***
- ***Assets include an unassembled gravity separation concentration plant designed for the ore based on prior pilot plant test work***

Lynas Corporation Limited ("Lynas") (ASX code LYC) is pleased to announce a wholly owned subsidiary of Lynas, Lynas Africa Limited (LAL), has signed an asset Purchase Agreement with a private Malawian company to purchase the mining lease, approved environmental permit, plant and equipment and other assets associated with a Rare Earths deposit hosted in Malawi, Africa.

History

The Kangankunde Carbonatite Complex (KGK) deposit has been subjected to extensive geological and process test work completed between 1987 and 1990 by the French geoscience organisation Bureau de Récherches Géologiques et Minières (BRGM). The deposit was not developed at that time due to political unrest in neighbouring countries through which concentrate had to be transported. Today these countries are politically stable and secure. Lynas has obtained exclusive access to the geological records and results of process test work completed by BRGM.

Resource Overview

Lynas engaged the Australian mineral consulting company, Hellman and Schofield Pty Ltd ("H&S"), to digitise the BRGM geological data consisting of more than 2,000m of diamond core drilling and 550 trench samples. Hellman & Schofield then carried out a geostatistical estimate of the Rare Earths Oxide (REO) resources.

The deposit has an Inferred Resource of 107,000 tonnes of Rare Earths Oxide (REO) at an average grade of 4.24% REO in 2.53 million tonnes of mineralisation using a cut-off grade of 3.5% REO. The resource mineralisation commences on the surface and the deposit remains open at depth. The relatively low cut-off grade is justified by the demonstrated amenability of the ore to low cost gravity separation to produce a high grade concentrate. As prices increase a lower cut-off grade may be applied; a 3% cut-off grade would increase the resource by 73,000 tonnes REO.

The resource can only be classified as an Inferred Resource under the JORC guidelines as the original drill core has been lost and details of QA/QC relating to original assaying and sampling, density etc cannot be confirmed. REO (Ce, La, Nd & Pr oxides) were determined by the BRGM in Malawi using XRF. 10-15% of these analysed samples were checked by the BRGM in France with the original results being regarded by the BRGM as being reliable. A density of 3.0 was used to calculate tonnage on the basis of work reported by BRGM. Further drilling is planned to provide confirmation of grade and is expected to raise Resource confidence to the Indicated and Measured categories.

Five ore samples were analysed in Australia by Lynas. These grab samples had an average grade of 4.9% REO, and the distribution of the Rare Earths elements within this 4.9% REO compare closely with previous Rare Earths distributions reported for KGK. Table 1 shows the average relative distribution of the Rare Earths for the five samples. The value of separated Rare Earths products based on this distribution, at current FOB China prices, is US$10.86/kg REO.

TABLE 1: Rare Earths Distribution for the Kangankunde Rare Earths Resource, Malawi

Rare Earths	La_2O_3	CeO_2	Pr_6O_{11}	Nd_2O_3	Sm_2O_3	Eu_2O_3	Gd_2O_3	Tb_4O_7	Dy_2O_3	Others
%	29.8%	49.7%	4.7%	14.0%	1.05%	0.19%	0.36%	0.07%	0.08%	0.04%

A useful measure of the natural radiation levels of a rare earths resource is the amount of thorium oxide content on a parts per million (ppm) basis for each one percent of REO content, as this effects the environmental outcomes associated with the processing of the resource. Lynas' Mt Weld Rare Earths mine, currently under development, is considered to have low natural radiation levels and has an average of 44ppm thorium oxide per percentage of REO content. The KGK deposit has extremely low thorium oxide levels for a Rare Earths resource as the KGK samples have an average of 11ppm thorium oxide per percentage of REO content.

Process Test Work

The BRGM completed ore concentration test work at pilot plant scale in France during 1989. After collection of a 30 tonne sample of ore from the surface and at depth the pilot plant consisted of crushing and grinding with gravity separation using spirals and shaking tables.

A concentrate at 60% REO grade was produced with a recovery of 60% REO from the BRGM pilot plant study. Further test work was subsequently undertaken in Johannesburg, South Africa by Mintek and Multotech, and produced similar results to those of BRGM.

Due diligence completed on the deposit and the test work completed to date has enabled construction of a business model that demonstrates the potential for a financially robust operation producing a minimum of 5,000 tonnes REO per annum.

Purchase Agreement

The purchase price for the assets has been agreed at US$4 million, which shall be paid in full upon completion of the Purchase Agreement. The Purchase Agreement has a number of condition precedents which include:

1. Approval by the Malawi Department of Mines for the transfer of the KGK tenement to Lynas
2. Approval of Malawi Government regulatory authorities for the transfer of the environmental permit
3. Lynas obtains approval of the project proposal from the Malawi Investment Promotion Agency
4. Malawi exchange control authorities giving approval to Lynas making payment as a foreign investor

The assets in the Purchase Agreement include the mining lease, land title agreement, approved environmental permit, and equipment including an unassembled gravity separation concentration plant designed for the ore and manufactured by Multotech.

Next steps

Upon completion of the purchase Lynas will carry out geophysical and hydrogeological studies, as well as undertake a drilling program designed to provide drill core to confirm the grade of previous drill results and test the potential of increasing the resource. Lynas will also validate a concentrate production flow sheet based upon the BRGM, Multotech and Mintek test data and utilising the concentration plant designed and manufactured by Multotech

It is anticipated the concentrate may be further processed to separate Rare Earth oxides at the Lynas processing facility to be built on the east coast of Malaysia. Process test work shall commence to confirm the 60% REO concentrate will behave as expected during downstream processing. A program of work and an associated timetable is being established.

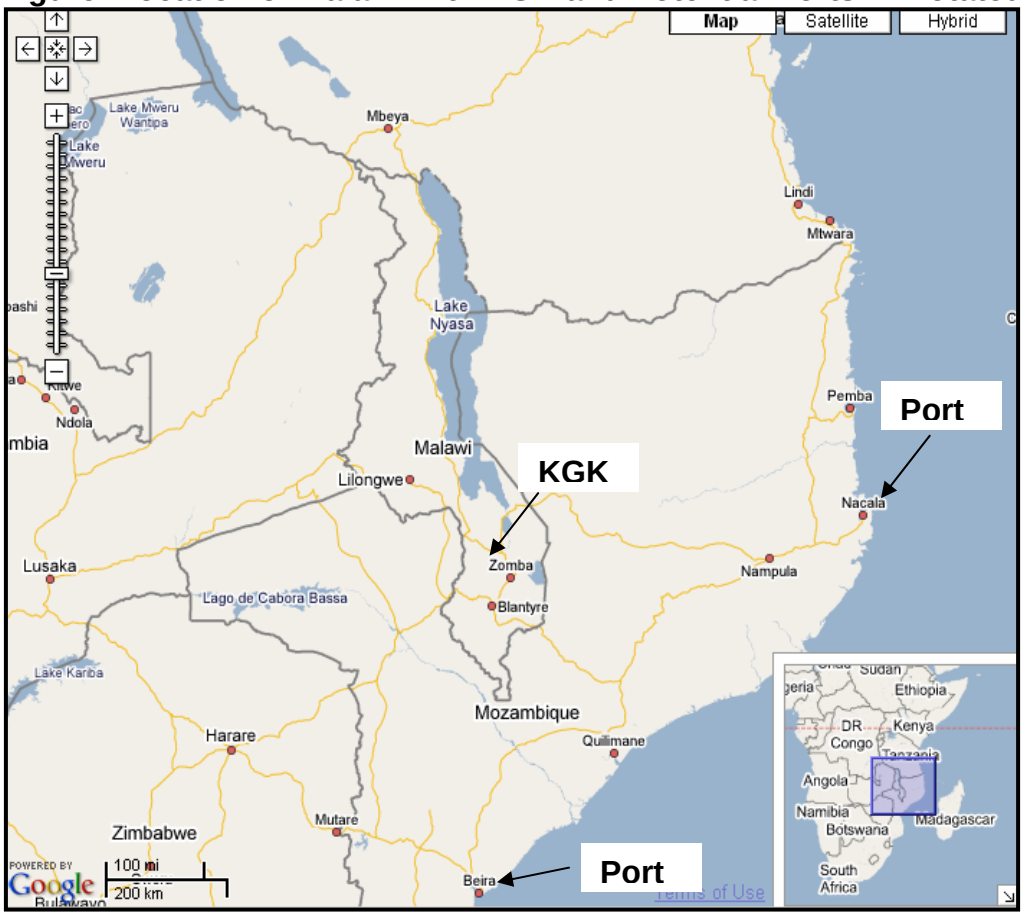
Summary

Lynas has secured a Rare Earths deposit which possesses the critical characteristics of an economically viable Rare Earths resource, including;

- Ability to produce a high grade Rare Earths concentrate via pilot plant tested, low cost gravity separation processes.
- Inherently low thorium and uranium content thereby making it practical from an environmental perspective and allowing transportation of the concentrate.

Lynas' Executive Chairman, Nicholas Curtis, believes that the signing of the contract is complementary to the already large Rare Earths resource held by Lynas at Mt Weld, "This acquisition further enhances Lynas' security of supply by making Lynas a multi-mine company, it increases our growth potential, and positions Lynas in the market as the significant Rare Earths supplier outside of China", Mr Curtis says.

Figure: Location of Malawi with KGK and Potential Ports Annotated



About Lynas Corporation

Lynas owns the richest deposit of Rare Earths in the world at Mt Weld, near Laverton in Western Australia. This deposit underpins Lynas' strategy to create a reliable, fully integrated source of Rare Earths supply from the mine through to customers in the global Rare Earths industry.

The mining contractor is currently on site and mining has commenced. Lynas has secured funding to construct a processing plant on the east coast of Malaysia and planning is well underway for construction of this facility. The company plans to become the benchmark for security of supply and a world leader in quality and environmental responsibility to an international customer base.

'Rare Earths' is the term given to fifteen metallic elements known as the lanthanide series, yttrium is sometimes included. They are essential in the development and manufacturing of many modern technological products, from disc drives to flat panel displays, iPods and magnetic resonance imaging (MRI) scans. They also play a key role in green environmental products, from energy efficient compact fluorescent light bulbs (CFLs) to hybrid cars, automotive catalytic converters and wind turbine generators.

For further information please contact Nicholas Curtis on +61 (0)2 8259 7100 or visit www.lynascorp.com

"The information in this report that relates to Mineral Resources is based on information compiled by Dr P L Hellman who is a Fellow of the Australian Institute of Geoscientists and a Director of Hellman & Schofield Pty Ltd. Dr. Hellman has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the resource estimation he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Dr. Hellman consents to the inclusion in the report of the matters based on their information in the form and context in which it appears".

"Information in this report relating to marketing, price and processing issues is based on information compiled by Dr. M. James who is a full time employee of Lynas Corporation. Dr. James has sufficient experience relevant to these issues to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Dr. James consents to the inclusion in the report of the matters based on their information in the form and context in which it appears".